

GREEN DOT CORP
Form 10-Q
November 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-34819

GREEN DOT CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware 95-4766827
(State or other jurisdiction (IRS Employer
of incorporation or organization) Identification No.)

3645 E. Foothill Blvd.

Pasadena, California 91107

(626) 765-2000

(Address of principal executive offices, including zip code) (Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 31,320,883 shares of Class A common stock, par value \$0.001 per share (which number does not include 6,859,000 shares of Class A common stock issuable upon conversion of Series A Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock), and 4,552,319 shares of Class B common stock, par value \$0.001 per share, outstanding as of October 31, 2012.

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

GREEN DOT CORPORATION

CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (unaudited)	December 31, 2011
	(In thousands, except par value)	
Assets		
Current assets:		
Unrestricted cash and cash equivalents	\$ 164,418	\$ 223,033
Federal funds sold	3,000	2,400
Investment securities available-for-sale, at fair value	72,611	20,647
Settlement assets	43,650	27,355
Accounts receivable, net	43,428	41,307
Prepaid expenses and other assets	21,417	11,822
Income tax receivable	825	3,371
Net deferred tax assets	6,656	6,664
Total current assets	356,005	336,599
Restricted cash	12,784	12,926
Investment securities, available-for-sale, at fair value	73,777	10,563
Accounts receivable, net	6,539	4,147
Loans to bank customers, net of allowance for loan losses of \$298 and \$0 as of September 30, 2012 and December 31, 2011, respectively	7,688	10,036
Prepaid expenses and other assets	1,666	202
Property and equipment, net	52,205	27,281
Deferred expenses	6,923	12,604
Goodwill and intangible assets	43,514	11,501
Total assets	\$561,101	\$425,859
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 30,520	\$ 15,441
Deposits	38,529	38,957
Funds held on behalf of customers	23,137	—
Settlement obligations	43,650	27,355
Amounts due to card issuing banks for overdrawn accounts	49,117	42,153
Other accrued liabilities	32,186	16,248
Deferred revenue	10,996	21,500
Total current liabilities	228,135	161,654
Other accrued liabilities	12,374	6,239
Deferred revenue	—	19
Net deferred tax liabilities	6,295	4,751
Total liabilities	246,804	172,663
Stockholders' equity:		
Convertible Series A preferred stock, \$0.001 par value: 10 shares authorized as of September 30, 2012 and December 31, 2011, respectively; 7 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively	7	7
	31	30

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Class A common stock, \$0.001 par value; 100,000 shares authorized as of September 30, 2012 and December 31, 2011, respectively; 31,314 and 30,162 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively

Class B convertible common stock, \$0.001 par value, 100,000 shares authorized as of September 30, 2012 and December 31, 2011, respectively; 4,560 and 5,280 shares issued and outstanding as of September 30, 2012 and December 31, 2011, respectively

Additional paid-in capital	152,783	131,383
Retained earnings	161,361	121,741
Accumulated other comprehensive income	110	30
Total stockholders' equity	314,297	253,196
Total liabilities and stockholders' equity	\$561,101	\$425,859

See notes to unaudited consolidated financial statements

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GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands, except per share data)			
Operating revenues:				
Card revenues and other fees	\$54,138	\$49,966	\$176,011	\$158,214
Cash transfer revenues	41,832	34,724	121,721	98,260
Interchange revenues	39,581	34,246	122,615	105,035
Stock-based retailer incentive compensation	(1,202)	) (3,549)	) (6,985)	) (13,785)
Total operating revenues	134,349	115,387	413,362	347,724
Operating expenses:				
Sales and marketing expenses	51,930	40,851	157,516	126,164
Compensation and benefits expenses	29,041	21,763	83,074	64,566
Processing expenses	18,802	17,576	58,668	54,639
Other general and administrative expenses	18,050	13,889	51,869	41,192
Total operating expenses	117,823	94,079	351,127	286,561
Operating income	16,526	21,308	62,235	61,163
Interest income	982	239	3,116	574
Interest expense	(20)	) (105)	) (51)	) (202)
Income before income taxes	17,488	21,442	65,300	61,535
Income tax expense	6,875	8,139	25,680	23,461
Net income	10,613	13,303	39,620	38,074
Income attributable to preferred stock	(1,704)	) —	) (6,385)) —
Net income allocated to common stockholders	\$8,909	\$13,303	\$33,235	\$38,074
Basic earnings per common share:				
Class A common stock	\$0.25	\$0.32	\$0.93	\$0.91
Class B common stock	\$0.25	\$0.32	\$0.93	\$0.91
Basic weighted-average common shares issued and outstanding:				
Class A common stock	30,067	23,401	29,502	21,322
Class B common stock	4,585	17,124	4,884	18,985
Diluted earnings per common share:				
Class A common stock	\$0.24	\$0.30	\$0.90	\$0.86
Class B common stock	\$0.24	\$0.30	\$0.90	\$0.86
Diluted weighted-average common shares issued and outstanding:				
Class A common stock	35,826	42,426	35,901	42,486
Class B common stock	5,732	19,023	6,346	21,155
See notes to unaudited consolidated financial statements				

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Net income	\$10,613	\$13,303	\$39,620	\$38,074
Other comprehensive gain, net of tax				
Unrealized holding gains arising during period, net of reclassification adjustments	60	(31	) 80	(9
for amounts included in net income)
Comprehensive income	\$10,673	\$13,272	\$39,700	\$38,065
See notes to unaudited consolidated financial statements				

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GREEN DOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2012	2011
	(In thousands)	
Operating activities		
Net income	\$39,620	\$38,074
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,564	8,772
Provision for uncollectible overdrawn accounts	42,098	46,210
Employee stock-based compensation	9,041	7,042
Stock-based retailer incentive compensation	6,985	13,785
Amortization of premium on available-for-sale investment securities	954	157
Realized gains on investment securities	(8) —
(Recovery) provision for uncollectible trade receivables	(420	) 150
Impairment of capitalized software	912	348
Deferred income taxes	(32	) 107
Excess tax benefits from exercise of options	(2,665	) (2,159
Changes in operating assets and liabilities:		
Settlement assets	(16,295	) (3,312
Accounts receivable, net	(45,385	) (44,494
Prepaid expenses and other assets	(11,022	) (2,360
Deferred expenses	5,681	1,673
Accounts payable and other accrued liabilities	21,809	(2,813
Settlement obligations	16,295	3,312
Amounts due issuing bank for overdrawn accounts	6,964	5,780
Deferred revenue	(10,523	) (4,156
Income tax receivable	6,743	10,393
Net cash provided by operating activities	83,316	76,509
Investing activities		
Purchases of available-for-sale investment securities	(200,755	) (40,062
Proceeds from maturities of available-for-sale securities	29,708	10,000
Proceeds from sales of available-for-sale securities	55,855	—
Decrease in restricted cash	142	(5,159
Payments for acquisition of property and equipment	(23,312	) (16,997
Net principal collections on loans	2,348	—
Acquisition of Loopt Inc., net of cash acquired	(33,401) —
Net cash used in investing activities	(169,415	) (52,218
Financing activities		
Proceeds from exercise of options	2,710	